

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Campus Facilities Improvement Association (CFIA)	Amount Requested:	Not to exceed \$250,000,000
Applicant Description:	CFIA is a non-profit corporation for charitable and educational purpose, formed on behalf of the University of California to advance opportunities for biotechnology and life sciences research.	Date of Board Meeting:	January 26, 2010
		Type of Issue:	New Issue
		Resolution Number:	10-01
Project Site:	Neurosciences Building 19A SE corner of Nelson Rising Lane and Fifth Street, San Francisco, CA 94158 on the University of California, San Francisco (UCSF) Mission Bay Campus	Prepared by: Paula Connors and Andrea Kennedy	
Project Description:	The project (Project) involves financing the construction of the UCSF Neurosciences Building 19A, located on the Mission Bay Campus of the University of California, San Francisco to include a five-story 237,000 square foot research and lab facility, and offices. Construction is expected to be completed by July 2011. The project utilizes a new lease lease-back procurement method under a public/private sector development agreement.		
Uses of Bond Proceeds:	Bond proceeds will be used to pay the costs of the Project, capitalized interest and issuance costs.		
Public Benefits:	The Project will expand the ability of the UCSF research mission in diagnosing and treating disorders of the brain. The new facility is expected to create 360 new jobs and consolidate another 140 researchers currently housed in multiple locations. The new building is proposed for a Silver LEED certification.		
Financing Structure: Type of Issue: Publicly-offered fixed-rate demand bonds in minimum denominations of \$5,000. Tax Status: Tax-exempt revenue bonds and taxable Build America Bonds. Term: Not to exceed 30 years. Credit Rating: Expected rating is AA- or A+ from Standard & Poor’s Rating Services and Aa from Moody’s Investors Service based on the financial condition of the University of California.			
Est. Sources of Funds: Par amount of the bonds	\$250,000,000	Est. Uses of Funds: Project Costs Capitalized Interest Costs of Issuance	\$220,432,547 27,321,044 2,246409
TOTAL SOURCES	\$250,000,000	TOTAL USES	\$250,000,000
Financing Team: Bond and Disclosure Counsel: Underwriter: Trustee:	Orrick, Herrington & Sutcliffe LLP Barclays Capital The Bank of New York Mellon Trust Company, N.A.		
Staff Recommendation: Staff recommends approval of Resolution 10-01 for an amount not to exceed \$250,000,000 for Campus Facilities Improvement Association.			

BACKGROUND AND HISTORY

Community Facilities Improvement Association

The Campus Facilities Improvement Association (CFIA) was organized in 2008 for the purposes of assisting the University of California, San Francisco (UCSF) in the financing for the construction of the Neurosciences Building 19A on the UCSF campus.

University of California – The Regents

The University of California is a public institution of higher education founded in 1868. It includes ten component campuses, located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara and Santa Cruz. The University of California also operates five academic medical centers and more than 200 laboratories, research stations, affiliated schools and activity locations. The California State Constitution provides that the University of California shall be a public trust administered by the corporation, The Regents of the University of California ("The Regents"), which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and the compliance with certain statutory and administrative requirements. The governing board of the University of California is composed of 26 members, a majority of whom are appointed by the Governor of the State and approved by a majority vote of the State Senate.

University of California, San Francisco (UCSF)

The development of UCSF began in 1873 with the affiliation of three colleges on 13 acres overlooking Golden Gate Park. The University of California Medical Center (UMC) formally opened shortly after the 1906 San Francisco earthquake, which damaged or destroyed many of the city's medical facilities. In 1998 UCSF began development of a 2.65 million square-foot new campus on a 43-acre site in the 300-acre Mission Bay Redevelopment Area between San Francisco Bay and I-280. UCSF's long range plan is to replace the aging Mount Zion and Moffitt-Long Hospitals on the Golden Gate campus with a new children's, women's specialty, and cancer hospital. To date, UCSF has constructed five research buildings, a campus community center and university housing. Currently the Mission Bay Redevelopment Area is home to the headquarters of the California Institute for Regenerative Medicine and the GAP retail chain as well as the northern terminus of CalTrain and the Third Street Light Rail.

Today, UCSF is a leading university dedicated to advanced biomedical research, graduate-level education in the life sciences and health professions, and excellence in patient care. UCSF is involved in the research, diagnosis, and treatment of many specialties including cancer, heart disease, infertility, neurological disorders, organ transplantation and orthopedics as well as special services for women and children. In October, 2001, the I-Bank issued \$145 million for J. David Gladstone Institutes, a leading national medical research organization, located on the UCSF campus adjacent to the CFIA Project.

GOVERNANCE AND MANAGEMENT

CFIA Corporate Officers	
Rudolf Nothenberg	President
Lynn Sedway	Secretary and Treasurer
Douglas Abby	
Sandra Hernandez	
Jim Chappell	

The CFIA Board will meet on or before January 25, 2010, to approve the financing and project documents, and to amend its bylaws to reflect its status as an instrumentality of The Regents.

The Regents has approved the transaction structure at its February 2009 and January, 2010 meetings.,

PROJECT DESCRIPTION

The Neuroscience Building 19A on the UCSF Campus (Project) will be a five-story 237,000 square foot research and lab facility to support the Neuroscience Department and its research in diagnosing and treating diseases of the brain. The building will house presentation rooms and clinic space on the first floor with, labs, lab support and offices on the upper floors. The interior will be organized around a central atrium and circulation core. The Project will comply with the University of California Policy on Sustainable Practices and is targeting a US Green Building Council LEED for New Construction Silver rating.

Site preparation began in October 2009. Construction is expected to begin in March, 2010, and will be substantially completed in July 2011.

FINANCING STRUCTURE

Campus Facilities Improvement Association is requesting approval for the issuance of bonds in an amount not to exceed \$250,000,000 (the "Bonds"). It is expected that the Bonds will carry ratings of at least "AA-" or "A+" from Standard & Poor's (S&P), and at least "Aa" or higher from Moody's Investors Service (Moody's) based upon the commitment of The Regents to enter into a long term space lease with an unconditional obligation to make rental payments that will be used by CFIA in paying principal and interest on the Bonds. The rating is supported by the financial condition of The Regents.

The financing has been structured by The Regents to involve a new lease lease-back procurement method using a public/private sector development agreement. The lease lease-back structure affords The Regents the opportunity to use alternative statutory authority to select the a developer pursuant to a competitive selection process rather than a strict lowest bidder process. This procurement method has also enabled The Regents to secure the benefit of the Project on favorable terms with respect to cost, schedule and developer's expertise. The Regents will lease the site to CFIA, which will sub-lease the site to the developer, Edgemoor McCarthy Cook Partnership LLP (Developer), for construction, ownership and operation of the Project. Until the Bonds are no longer outstanding, the Project will be leased by the Developer to The Regents for use of the Project by UCSF. The Regents' lease payments (base rent) will be paid to the Developer and credited to its obligation to pay rent to CFIA for CFIA's use in paying principal and interest on the Bonds. In lieu of direct payments to CFIA, CFIA will direct the Developer to assign the base rent to the Trustee as security for the payment of the Bonds. CFIA's obligations under the Loan Agreement are limited to the payments made under the lease documents by The Regents. Pursuant to the terms of the lease documents, The Regents will be unconditionally obligated (regardless of whether the Project is completed or continuously operational) to make rental payments during the time the Bonds are outstanding.

The Regents selected the Developer through a competitive selection process. The firm has significant experience in the construction, development and management of major public-private facilities. Once completed, Edgemoor McCarthy Cook will provide certain facility management services under the terms of a 30-year space lease.

Tax-Exempt and Taxable Build America Bonds

A portion of the Bonds (Series 2010A) is expected to be issued as tax-exempt bond and a portion of the bonds (Series 2010B) is expected to be issued as taxable "Build America Bonds" (BABs) as permitted under the American Recovery and Reinvestment Act of 2009 (the Recovery Act). The

use of BABs is attractive to many issuers because the total interest cost can be less than tax-exempt interest cost, particularly in the longer maturities. The use of BABs allows the borrower to access a broader investor market at competitive net interest rates.

Pursuant to the Recovery Act, the I-Bank as issuer expects to be eligible to receive a cash subsidy payment on behalf of the borrower from the United States Treasury equal to 35% of the interest payable on or about each interest payment date. Prior to each semiannual interest payment date, the I-Bank, as issuer will forward a specific form to the IRS (Form 8038CP) to initiate payment of the 35% subsidy. The subsidy will be pledged and assigned to the bond trustee for the benefit of bondholders.

Federal tax law requires an issuer of BABs to designate the bonds as BABs. Because the final amount for each series of tax-exempt and taxable BABs will not be known until the sale of the Bonds, the attached resolution delegates the final determination of the amount of each series to the Executive Director based upon a certification by The Regents that the allocation of Bonds between traditional tax-exempt Bonds and BABs is cost-effective and as long as certain conditions are met. Based on the certification from The Regents, all or none of the Bonds may be issued as BABs.

In no event shall the Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the Bonds. The Bonds constitute a special obligation of the I-Bank, payable solely from revenues consisting of repayments of the loan provided for in a loan agreement between the I-Bank and the CFIA. The obligations of CFIA are limited obligations payable solely from revenue derived from The Regents pursuant to the lease documents.

PUBLIC BENEFITS

The Neuroscience Building 19A will employ approximately 500 UCSF employees for the research of diagnosing and treating disease. Of those, approximately 360 will be new jobs assisting in neuroscience research.

The Project will comply with the University of California Policy on Sustainable Practices and is targeting a US Green Building Council LEED for New Construction Silver rating.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: Building permits are required and have been obtained.
TEFRA	
Date of TEFRA	September 23, 2009
Publications	<i>The Sacramento Bee</i> <i>The Examiner</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. The Project is in the State of California. 2. CFIA is capable of meeting its obligations incurred under the proposed loan agreement, and, in particular as to its loan repayment obligations which secure the 2010 Bonds, based upon The Regents' unconditional obligation to make base rental payments to the Developer which are payable to the Trustee on behalf of CFIA. Such payments which are made by CFIA to the I-Bank under the proposed loan agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments on the 2010 Bonds. 3. The proposed financing is appropriate for the Project. 4. The Project is consistent with any existing local or regional comprehensive plans.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution 10-01 for an amount not to exceed \$250,000,000 for Campus Facilities Improvement Association.

APPENDIX A



Aerial photo of Mission Bay Project Area depicting location of project site



Architectural rendering of finished building. Architect is Skidmore, Owings & Merrill LLP.